



Appendix G – Market Study for Anchorage – Executive Summary



HEALTHCARE PROPERTY ADVISORS

PREPARED FOR:

**MAPLE SPRINGS LIVING
1040 SOUTH MEDICAL DRIVE
BRIGHAM CITY, UTAH, 84302**

MARKET STUDY AS OF MARCH 9, 2018

OHC ADVISORS FILE #: 18.395

PROPOSED SENIOR LIVING

C STREET

ANCHORAGE, AK 99515



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March 9, 2018

Mr. Nick Larsen
Maple Springs Living
1040 South Medical Drive
Brigham City, Utah, 84302

Re: Market Study
Proposed Senior Living
C Street
Anchorage, Anchorage Municipality, AK 99515
OHC Advisors File No: 18.395

Dear Mr. Nick Larsen:

At your request, we have prepared a market study for the above referenced property. The proposed subject is located in the 11000 C Street office and retail site in the southern portion of Anchorage. This is a 22-acre, two-phase development project. The proposed subject would be located in Phase I, the client has an option to purchase one of two sites along C Street, either at the northwest corner of C Street and Klatt Road or an adjacent parcel approximately one block north of the intersection, both have C Street frontage. Both sites appear to be approximately nine acres. We believe the south site at the corner of C Street and Klatt Road would be the preferred site based on visibility and access from the intersection. The intended use and user of this market study is for internal planning by the client. No other intended users and uses are identified.

Our Scope of Work included the following:

- Determination of the primary market area boundaries;
- In-depth research into the proposed, underway, or abandoned competitive developments in the primary market area (PMA);
- Visit the PMA and tour the site, neighborhood, and general market area;
- In-person interview of the on-site marketing/admissions director or administrator at each the primary competitors to determine the rental structure, occupancy rates, and amenities offered;
- Quantitative supply/demand analysis of the PMA using our proprietary top-down net demand methodology which considers the local elderly and adult children population, acuity rates, income levels, and the presence of competing properties, home health agencies, and informal caregivers;

- Qualitative analysis of the competitive landscape and the factors affecting the proposed property's fit within the PMA;
- Conclusion of whether or not there is market support for the proposed development;

Assisted Living: Our fundamental supply/demand analysis indicates the assisted living market is undersupplied with a current net demand of 305 beds, and assisted living demand growth is strong at 30 beds per year. By 2020 when the subject would likely open, net demand would be 239 beds, which accounts for new beds proposed in this market. We also found that market occupancy in the primary and secondary market areas average 93.1% which supports our net demand conclusions.

Memory Care: The memory care segment is also undersupplied with 237 beds of demand in 2018, growing 19 beds per year to 2020 demand of 217 beds, again taking into account proposed beds coming into the market. Occupancy rates for memory care communities within the subject's primary and secondary market areas is 95.5%.

Skilled Nursing: The skilled nursing segment is also undersupplied with 423 beds of demand in 2018, growing 16 beds per year to 2020 demand of 454 beds. Both comparable skilled nursing facilities are located outside the subject's defined six-mile PMA. Occupancy rates for skilled nursing facilities is 100%.

Conclusion: At the time of our survey, the market has a population of approximately 158,000 residents and is expected to increase to 161,000 by 2023. Our overall opinion is that the current market conditions are favorable and support the proposed 100 assisted living and 28 memory care beds with AL demand at 239 beds and memory care demand at 217 beds by 2020. Furthermore, AL demand increases to 332 beds and memory care increases to 275 beds by 2023. Skilled nursing demand is also currently strong and increases to 454 beds in 2020 and 501 beds in 2023. These figures indicate a new assisted living residence with memory care residence would be supported at the subject's location, with both in-place high levels of demand and demand growth.

There are three senior's housing projects that are proposed in the subject PMA. One proposed community is called Independence Gateway and will be located at 2321 O'Malley Road in Anchorage, approximately one-mile northeast of the proposed subject. This community will be built in phases and will ultimately contain all senior's housing service types including independent living, assisted living, memory care and skilled nursing. The first phase will consist of assisted living and memory care and will include approximately 120 total units. The final unit mix has not been finalized and we have allocated 84 assisted living units and 36 memory care units in our supply summary. The developer filed a zoning amendment application in 2016. Per Dave Whitfield, Planning Manager, the application has been approved and the site has been cleared, but no plans have been submitted to the planning department. He believes it is their intent to start construction in summer 2018. The second is a 100-bed assisted living facility that will be located

on Dowling Road. This site has been cleared, but no plans have been submitted to the planning department. Dave Whitfield believes they intend to begin construction in summer 2018. The third project is located on Tudor Road near Baxter Road. This is a proposed 30-40 bed assisted living facility, but as of our survey, no plans have been submitted and no tentative start date has been determined.

It is our opinion that the proposed subject assisted living rents would fall in the middle-upper range, similar to Marlow Manor and Providence Horizon House, as they are most similar in terms of design, appeal and amenities. Based on discussions with management, the subject is modeled to have mid-level market pricing with a studio base rate of \$4,840. The proposed one-bedroom rents at \$5,240 per month would be below the market one-bedroom rental rate of \$6,800 per month. There are no two-bedroom units in the market. In our opinion, the subject could charge higher rents than \$4,840 for a studio. Rents in the \$6,000 range would be feasible assuming the quality of the community is similar to or greater than current market product.

Based on discussions with management, the memory care product is modeled to fall towards the lower end of that range, having a proposed, all-inclusive rent of \$7,000 per month. However, the newer product would help drive demand. All-inclusive studio rents should be around \$8,000-\$8,500 per month. We believe the subject would compare favorably to the other two memory care communities in the market.

We certify that we have no present or contemplated future interest in the property beyond this assignment. Your attention is directed to the Limiting Conditions and Assumptions section of this report. Acceptance of this report constitutes an agreement with these conditions and assumptions. This letter is invalid as an opinion of our supply/demand study if detached from the report, which contains the text, exhibits, and Addenda.

Respectfully submitted,

OHC Advisors, Inc.



TJ Griffith, MAI, ASA
Partner & Executive Vice President